

CLASSIFICATION CONFIDENTIALCENTRAL INTELLIGENCE AGENCY
INFORMATION FROM

FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

CD NO.

50X1-HUM

COUNTRY USSR

DATE OF
INFORMATION 1947

SUBJECT Economic - Planning

DATE DIST. 11 Jul 1951

HOW
PUBLISHED BookWHERE
PUBLISHED Moscow

NO. OF PAGES 5

DATE
PUBLISHED 1947

LANGUAGE Russian

SUPPLEMENT TO
REPORT

50X1-HUM

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF ESPIONAGE ACT 50 U. S. C. 31 AND 32, AS AMENDED. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

SOURCE Planirovaniye i Khozraschet v Proyektnykh Organizatsiyakh, Gosudarstvennoye Arkhitekturnoye Izdatel'stvo, pp 44-56,

50X1-HUM

CALCULATING OVERHEAD EXPENDITURES AND WORKING CAPITAL REQUIREMENTS
OF SOVIET CONSTRUCTION-PLANNING ORGANIZATIONS

K. K. Vinogradov

[The following information is taken from chapters XII and XIII of Vinogradov's book.]

OVERHEAD EXPENDITURES

The chief cost items of construction-planning organizations are overhead expenditures, which include all expenditures for materials used in planning and estimating, but exclude basic wages for production personnel. A planning organization's overhead expenditures are limited to a percentage of its basic expenditures (i.e., to the basic wages of production personnel). Before overhead expenditures can be increased, it is always necessary to obtain the permission of the Committee on Architectural Affairs under the Council of Ministers USSR.

The following is a list of overhead expenditures and their maximum limits in percentages of the basic wages or production personnel:

- | | |
|--|-----|
| 1. Consultation and expert advice for plans and estimates | 1.5 |
| 2. Expenses for traveling to the site of construction for purposes of liaison, coordination, and studying local conditions | 2.0 |
| 3. Supplementary wages for production personnel | 8.0 |
| 4. Additions (nachisleniya) to wages of production personnel | 6.0 |

- 1 -

CONFIDENTIAL

CLASSIFICATION

CONFIDENTIAL

STATE	<input checked="" type="checkbox"/>	NAVY	<input checked="" type="checkbox"/>	NSRB															
ARMY	<input checked="" type="checkbox"/>	AIR	<input checked="" type="checkbox"/>	FBI															

CONFIDENTIAL
CONFIDENTIAL

50X1-HUM

5. Cost of blueprinting work	2.5
6. Cost of materials	3.0
7. Expenditures for the development of standards, norms, and scientific research	4.0
8. Administrative expenditures for production sectors and divisions (shops)	6.0
9. Administrative (general office) expenditures	14.0
Total overhead expenditures	47.0
10. Deductions for the architectural fund (applicable only to architectural-construction planning)	10.0
11. Planned accumulations (profit)	5.0
Total overhead expenditures, including planned accumulations	62.0

Planning organizations which have a large number of clients in other cities (State Institute of Planning for Cities, State Institute of Planning for Agriculture, Belorussian State Planning, and others) may have Item 2 above increased in their overhead expenditures from 2 to 5 percent; however, the total of overhead expenditures, including the deductions for the architectural fund and the planned accumulations, may not be more than 65 percent of the wages for all production personnel.

Planning organizations where the wage rates established by the former People's Commissariat of Ferrous Metallurgy apply may not have their overhead expenditures exceed 60 percent of the wages for production personnel; furthermore, administrative expenditures, both shop and general office, may not exceed 18 percent of the overhead expenditures.

The limit for administrative expenditures applies to planning organizations with 200 to 300 workers. Organizations with a larger or smaller number of workers must use the following corrective coefficients:

Up to 50 men	1.3
From to 100 men	1.2
From 101 to 200 men	1.1
From 301 to 400 men	0.9
More than 400 men	0.8

A clarification of the individual items listed under overhead expenditures follows:

Item 1 includes the basic and supplementary wages for both staff and non-staff experts and consultants, as well as the expenditures incurred in their work. Expenditures for experts and consultants from other organizations which help in planning are also included. However, expenditures involved in approving the planned and estimated material costs are borne by the client and are therefore not to be listed in the overhead expenditures of the planning organization.

Item 2 is divided into two parts: (a) expenditures for groups traveling to the construction site for purposes of liaison, coordination, and studying local conditions; (b) expenditures for personnel traveling to the construction

- 2 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIALCONFIDENTIAL

50X1-HUM

site for purposes of drawing up plans. Expenditures for (a) are limited to a percentage of the wages of production personnel; expenditures for (b) depend on the type of personnel, the duration of the work, the location, etc.

Item 3 includes wages for leave time of production personnel, for time spent in performing public duties, and for severance pay (vykhodnoye posobiye).

Item 4 is self-explanatory.

Item 5 includes all expenditures incurred in blueprinting plans for the production program, including blueprinting done by other organizations. Funds expended in blueprinting work for standardization, scientific research, and other sections are entered in the appropriate item of the production estimate. Expenditures for blueprinting done for other organizations are not included here, but, instead, are included under service cost rendered by the planning organization to other organizations.

Item 6 includes the cost of drawing implements such as pencils, erasers, ink, and tracing paper, expended in developing plans estimates. Materials expended in blueprinting, scientific research, standardization, and in the development of norms are not entered here but, instead, are entered in the production estimate. The cost of office equipment is included in the administrative expenditures of production shops, sectors, and divisions.

Item 7 is likewise broken down into separate parts and includes the following: basic and supplementary wages for personnel engaged in the development of standards and norms and in scientific research; additions to wages, expenditures for safety measures, cost of materials, printing, and other expenses incurred in carrying out the work mentioned above. Also included are expenditures for the preparation and checking of developed standards and norms.

Item 8 is also broken down and includes expenditures for the maintenance of production shops, sectors, and divisions, i.e., administrative expenditures.

Item 9 includes all expenditures for managing the planning organization.

Item 10 provides for deductions for the architectural fund in accordance with decree No 1858 of the Council of People's Commissars, dated 11 November 1939. The deductions are set at 10 percent of the wages actually paid to production and technical personnel engaged in architectural and construction planning for industry, agriculture, institutional buildings, living quarters, buildings for social and cultural purposes, and in the planning of new and reconstructed cities. These deductions are made from the wages of the following personnel: architects, engineers, designers, technicians, draftsmen, estimators, economists, copyists, and those workers engaged in checking and correcting planning materials. The following workers are excluded: those engaged in sanitation work (heating, ventilation, water supply, sewerage, central heating, electrical equipping) and those engaged in service sections (clerical, bookkeeping, etc.).

WORKING CAPITAL

A planning organization must have its own working capital to cover the minimum material reserves. Upon the creation of an organization its working capital is obtained from the budget; but thereafter it is obtained from profits, from budgetary funds, or from a higher level organization depending on the provisions in the approved financial plan. Withdrawals from surplus working capital are effected by the director of a higher echelon organization in accordance with the approved financial plan of a given organization.

- 3 -

CONFIDENTIAL**CONFIDENTIAL**

CONFIDENTIAL
CONFIDENTIAL

50X1-HUM

The Committee on Architectural Affairs under the Council of People's Commissars USSR established the structure and norms of working capital for planning organizations on 27 February 1946 and for field organizations on 19 April 1946.

Norms of Working Capital
(Percentage of Production Program)

Assets for Which Norms Have Been Set	<u>For Planning Organizations</u>		<u>For Field Organizations</u>	
	Under Union and Republic Jurisdic- tion	Under Local Jurisdic- tion	Under Union and Republic Jurisdic- tion	Under Local Jurisdic- tion
1. Basic materials	--	--	3.0	3.0
2. Auxiliary materials	1.0	1.0	1.0	1.0
3. Inventory of little value, instruments, and uniforms	1.0	1.0	2.0	2.0
4. Minor expenditures	0.5	0.5	0.5	0.5
5. Unfinished production	8.0	8.0	8.0	8.0
6. Discrepancies in accounts, as provided for by Articles 23, 24, and 25 of the regu- lations on contract agree- ments for planning and field work	2.5	2.5	2.5	2.5
7. Accounts of clients	5.5	4.0	5.5	4.0
Totals	18.5	17.0	22.5	21.0

The following is an explanation of the individual items in the above table.

Item 1 includes the basic materials, both in storage and en route, which are necessary to conduct surveying-geodetic and engineering-field work. The normal reserve of basic materials is determined by the needs of the organization for a period of 60 days. The cost of basic materials constitutes 15 to 20 percent of the field organization's total annual production program. Thus, the necessary working capital in this item is 3 percent of the annual production program.

Item 2 indicates the cost of auxiliary materials, both in storage and en route, including fuels, fodder, and rapidly depreciating articles of little value which are not being used in the organization's actual work.

Report data shows that the cost of auxiliary materials constitutes, on the average, approximately 5 to 6 percent of the annual production program for planning and field organizations. Since the normal reserve of auxiliary materials is one which is adequate for 60 days, the necessary working capital for this item is one percent of the total annual production program.

Item 3 includes those rapidly depreciating articles which are actually in use but not considered part of the fixed assets. The working capital needed by field organizations in this item is based on the calculation that the annual output per worker is from 18,000 to 20,000 rubles and that the cost of inventory, instruments, and uniforms in actual use is from 400 to 500 rubles per worker, i.e., approximately 2 percent of the total annual production program. The annual output per production worker in planning organizations is calculated at

- 4 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL
CONFIDENTIAL

50X1-HUM

20,000 to 22,000 rubles and the cost of inventory and instruments in actual use at 225 to 250 rubles per worker. Thus, the amount of working capital needed by planning organizations in this item is about one percent of the total annual production program.

Item 4 is composed of expenditures for subscriptions to technical literature and for rent, telephone service, transportation, etc.

Item 5. According to regulations on contract agreements for planning and field organizations, the accounts for completed work are to be settled with clients at the end of the month. If a client's advance payments are insufficient to cover expenditures incurred during the month for unfinished work, the difference should be paid out of the organization's own working capital. The amount of unfinished work which is covered by the planning organization's own working capital is usually set at about 8 percent of the annual production program.

Item 6. In the case of interim invoices (promezhutochnym cchetam) 90 percent of the planning materials is paid for by the client in advance and the remaining 10 percent within 2 months of the completion of all the contracted work. The amount of working capital needed in this instance is 10 percent of the bimonthly program, which represents 1.7 percent of the annual production program. An exception is made for those contracts under 3,000 rubles. In these instances the volume of work to be paid for out of the planning organization's own working capital is limited to 10 percent of the monthly program, or 0.8 percent of the total annual production program. Thus, the total amount of working capital needed to cover the differences between advance payment and actual cost in contracts is usually 2.5 percent of the total annual production program.

Item 7. According to regulations on contract agreements, the receipt of completed planning and field work is to be effected between the 1st and the 6th of each month. After the work has been delivered, the documents are processed and the documents for payment presented to the bank. The time allotted for these transactions is 2 days.

Working capital consists of a planning organization's own capital minus fixed liabilities. Fixed liabilities include deferred payments (reserve for accumulated leave).

The average leave allotted for production workers in planning and field organizations is equal to the wages for 18 days. At the end of one month of work the reserve accumulated for leave is equal to $1\frac{1}{2}$ days' wages; at the end of 11 months the reserve accumulated for leave is equal to 16.5 days' wages. It has been determined that the average reserve of leave is equal to the wages for 9 days, or 2.5 percent of the annual wage fund. Since wages constitute 60 percent of the production program, the fixed liabilities are 1.5 percent of the annual production program.

The normal liability for wages (from the time they are first accumulated until they are actually paid out) is, on the average, 6 days, or 1.7 percent of the total annual wages for production personnel. Since wages constitute 60 percent of the production program, the fixed liabilities, in this instance, are one percent of the annual production program.

Thus, the fixed liabilities for planning organizations amount to 2.5 percent of the annual production program.

- E N D -

- 5 -

CONFIDENTIAL**CONFIDENTIAL**